

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of

ADJUSTMENT OF RATES OF)
CLARK RURAL ELECTRIC) CASE NO. 8575
COOPERATIVE CORPORATION)

O R D E R

IT IS ORDERED that Clark Rural Electric Cooperative Corporation shall file an original and seven copies of the following information with this Commission, with a copy to the Attorney General's Division of Consumer Protection, by December 10, 1982. Where a number of sheets are required for an item, each sheet should be appropriately indexed, for example, Item 1(a), page 2 of 5. Include with each response the name of the witness who will be available at the public hearing to respond to questions relating to the information provided. If neither the requested information nor a motion for an extension of time is filed by the stated date, the case will be dismissed.

Information Request No. 2

1) In its request for additional information dated August 25, 1982, the Commission has requested for the test year and the year preceding the test year schedules showing the ending balance in each electric plant and reserve account or subaccount in the chart of accounts. (Request item number 3). The information for the test year has been supplied in schedule 1 of exhibit 0 in the application. The information for the year preceding the test year has not been supplied. Please provide a schedule showing in

comparative form the ending balance in each electric plant and reserve account or subaccount in the chart of accounts for the year preceding the test year.

2) Provide a schedule showing the total number of overtime hours for the last five years broken down in the manner set out in format 1 attached hereto.

3) Provide a brief explanation of the large increases in the following expense accounts between the test year and the preceding 12 month period.

- a) Overhead Line Expense - Account 583
- b) Miscellaneous Distribution Expense - Account 588
- c) Maintenance - Overhead Lines - Account 593
- d) Customer Records and Collection Expense - Account 903
- e) Office Supplies Expense - Account 921
- f) Outside Services Employed - Account 923
- g) Miscellaneous General Expense - Directors - Account 930.20

4) Provide a schedule of the actual and projected draw down dates of all CFC and REA loan funds since the end of the test year.

5) Provide the date that the interest rate of the CFC loan C-08 is scheduled to change from 9.25% to 13.5%.

6) Describe the utility's current policies regarding compensation of directors - i.e., meeting fees, expense reimbursement, per diem allowance, insurance, etc.

7) Provide a detailed narrative explanation of any action taken by Clark RECC management, its Board of Directors, or REA concerning the REA Borrower Statistical Profile and the results of this action.

8) In his pre-filed testimony on lines 147-171, Mr. Johnson provides a response to a question concerning the increase in O & M expense from the year preceding the test year to the test year. This response seems to indicate that Clark RECC has been more active in several maintenance programs than in prior years (i.e., meter testing and replacement program, repair of transformers). Provide a detailed narrative explanation for the increase in the level of these maintenance programs and indicate why the test year level of expense is or is not representative of normal operations.

9) Describe Clark RECC's policies concerning the payment of Christmas bonuses to its employees. Also, provide a schedule indicating the amount of Christmas bonuses paid employees for each of the last five years.

10) In response to item number nine of the information request of August 25, 1982, Clark submitted a copy of the 1982 audit report from the co-op's most recent audit. Evidently the auditors opinion was inadvertently omitted from the information filed. Please provide copies of this report.

11) Clark RECC has made an adjustment in this case to transfer \$96,722 from construction work in progress to completed plant in service and included that amount in the normalization adjustment for depreciation. The transfers represent work orders completed in

June 1982 but which had not been transferred to plant in service until July 1982. Provide details of any consideration made by Clark RECC related to the affect on operating revenues and expenses resulting from the addition of this plant.

12) Provide an explanation of the routine monthly journal entries used to record purchased power cost and revenue from sales along with the billing dates for the same period and the period of usage.

13) Provide an analysis of the utility's temporary investment account during the test period. Include in the analysis the average daily balance in the account for each month of the test period. Indicate any changes in the investments and the level of earnings. Also indicate the types of investments which make up this account and the level of earnings on each type of investment for the test year.

14) Adjustment number 6 in the application includes a computation of normalized depreciation expense. Please explain the calculation of depreciation expense of \$51,437 on transportation equipment.

15) Provide explanations for the following changes in plant in service during the test period as shown in exhibit O, schedule 1.

a) Account 391 Office Furniture and Equipment

May 1982 - \$184,038 to June 1982 - \$177,202

b) Account 391.1 Office Furniture and Equipment -
Computer Software

March 1982 - \$32,209 to June 1982 - \$.-0-

c) Account 397 Communication Equipment

July 1981 - \$64,390 to June 1982 - \$80,383

16) Provide the present policy of Clark RECC regarding customer deposits.

17) In reference to Exhibit E-2, page 7 of 9, Revised, the column labeled Minimums Billed in Excess of Actual: Has the actual minimum billing of \$484.06 for the July 1982 period as shown on Exhibit E-1, page 7 of 9, Revised, been excluded from the normalized minimum bills of \$7,626.95 which is the actual minimum billing for the August 1981 - June 1982 period as shown on Exhibit E-1, page 7 of 9, Revised?

18) In reference to Exhibit E-1, page 8 of 9 and Exhibit E-2, page 8 of 9, Revised, the column under KW Demand Amount labeled First 500: Why are the 16,000 KW and 1,500 KW billed at \$2.96 and not at \$2.98 which is the rate specified in Clark's tariff?

19) In reference to Exhibit E-2, page 8 of 9, Revised, the column labeled Minimum in Excess of Actual for under 500: Has the actual minimum billing of \$837.32 for the July 1982 period as shown on Exhibit E-1, page 8 of 9, Revised, been excluded from the normalized minimum bills of \$10,870.08 which is the actual minimum billing for the August 1981 - June 1982 period as shown on Exhibit E-1, page 8 of 9, Revised?

20) In reference to Exhibit E-2, page 8 of 9, Revised, the section labeled KW Demand Amount: Wasn't the KW Demand Amount

section revised to include the 2,521 KW that were billed in July 1982 (as shown on Exhibit E-1, page 8 of 9, Revised) by adding the entire 2,521 KW to the over 500 demand block to be billed at \$2.98 and not allocating the 2,521 KW to the demand blocks as was done on Exhibit E-1, page 8 of 9, Revised? Weren't 1,500 KW of the 2,521 KW billed under the First 500 demand block at \$2.96 and not \$2.98 for the July 1982 period as shown on Exhibit E-1, page 8 of 9, Revised?

21) In reference to Exhibit E-2, page 8 of 9, Revised, calculation of Discounts and Adjustments: Wasn't the normalized gross Kwh billing for the entire year divided by the actual gross Kwh billing for only the August - June period and then multiplied by the actual adjustment for only the August - June period? Wasn't the normalized gross Kwh billing for the August - June period divided by the actual gross Kwh billing for the August - June period and then multiplied by the actual adjustment for the August - June period and the result then added to the actual adjustment for the July 1982 period to calculate each of the billing adjustments on Exhibit E-2, pages 2 of 9, 3 of 9, 5 of 9 and 6 of 9? Why was a different method used to calculate the billing adjustment on Exhibit E-2, pages 8 of 9, than was used in Exhibit E-2, pages 2 of 9, 3 of 9, 5 of 9 and 6 of 9?

22) In reference to Exhibit F, page 7 of 9, Revised, the column labeled Minimums Billed in Excess of Actual: How was the minimum billing of \$10,237.52 derived?

23) In reference to Exhibit F, page 8 of 9, Revised, the

column under KW Demand Amount labeled Minimum in Excess of Actual for under 500: Have the 284 KW that were billed in July 1982 (as shown on Exhibit E-1, page 8 of 9, Revised) been excluded from the 3,696 KW to be billed at the proposed rate?

24) In reference to Exhibit F, page 8 of 9, Revised calculation of discounts: Wasn't the proposed gross Kwh billing for the entire year divided by the actual gross Kwh billing for only the - August - June period and then multiplied by the - actual adjustment for only the August - June period? Wasn't the proposed gross Kwh billing for the entire year divided by the actual gross Kwh billing for the entire year and then multiplied by the actual adjustment for the entire year to calculate the billing adjustment on Exhibit F, page 7 of 9? Why was a different method used to calculate the billing adjustment on Exhibit F, page 8 of 9 than was used on Exhibit F, page 7 of 9?

25) In reference to Exhibit E-1, page 9 of 9 and Exhibit E-2, page 9 of 9: Weren't the 400 watt and 175 watt mercury vapor lights billed at \$8.84 per light per month which would be \$106.08 per light per year and \$4.34 per light per month which would be \$52.08 per light per year, respectively? Aren't the annual rates filed under Clark's current tariff \$103.93 per light per year and \$51.08 per light per year, respectively? Why weren't the 400 watt and 175 watt mercury vapor lights billed at the current annual rates of \$103.93 per light per year and \$51.08 per light per year, respectively?

26) In reference to Exhibit E-2, page 3 of 9, the column labeled Minimum Charge in Excess of Actual Usage: How was the minimum charge of \$1,856.77 derived?

27) In reference to Exhibit E-2, page 4 of 9:

- a) How was the minimum charge in excess of actual usage of \$562.18 derived?
- b) In calculating the billing adjustment of \$11,138.08, wasn't the normalized gross Kwh billing for the August - June period divided by the actual gross Kwh billing for the August - June period and then multiplied by the actual billing adjustment for the entire test period? Wasn't the normalized gross Kwh billing for the August - June period divided by the actual gross Kwh billing for the August - June period and then multiplied by the actual billing adjustment for the August - June period and the result then added to the actual adjustment for the July 1982 period to calculate each of the billing adjustments on Exhibit E-2, pages 2 of 9, 3 of 9, 5 of 9 and 6 of 9? Why was a different method used to calculate the billing adjustment on Exhibit E-2, page 4 of 5 than was used on Exhibit E-2, pages 2 of 9, 3 of 9, 5 of 9 and 6 of 9?

28) In reference to Exhibit F, page 2 of 9, calculation of billing adjustment: Wasn't the proposed gross billing divided by the normalized net billing and then multiplied by the normalized adjustment? Wasn't the proposed gross billing divided by the normalized gross billing and then multiplied by the normalized

adjustment to calculate each of the billing adjustments on Exhibit F, pages 3 of 9 through 6 of 9? Why was a different method used to calculate the billing adjustment on Exhibit F, page 2 of 9 than was used on Exhibit F, pages 3 of 9 through 6 of 9?

29) In reference to Exhibit F, pages 2 of 9 through 9 of 9, calculation of billing adjustments: Weren't the billing adjustments calculated by increasing the normalized billing adjustment by the percentage of proposed gross billing to normalized gross billing on Exhibit F, pages 2 of 9 through 6 of 9? Weren't the billing adjustments calculated by increasing the actual test period billing adjustment by the percentage of proposed gross billing to actual test period gross billing on Exhibit F, pages 7 of 9 through 9 of 9? Why were two different methods used to calculate billing adjustments within the same billing analysis?

30) Provide a detailed explanation of the methodology or bases used to allocate the requested increase in revenue to each of the respective rate schedules as shown on Exhibit F, page 1 of 9.

31) Provide a detailed explanation of the methodology or bases used to allocate the increase requested for each rate schedule to the specific charges within each rate schedule as shown on Exhibit D, pages 1 of 2 and 2 of 2.

Done at Frankfort, Kentucky, this 23rd day of November, 1982.

PUBLIC SERVICE COMMISSION


For the Commission

ATTEST:

Secretary

Clark Rural Electric Cooperative Corporation

Case No. 8575

ANALYSIS OF OVERTIME HOURS WORKED

For the Calendar Years 19 77 Through 19 81
And the 12-Month Period Ending

(000's)

| 12 Months Ended | | | | | | | | | | | | |
|-----------------------------------|-----|--------|-----|--------|-----|--------|-----|--------|-----|--------|-----|-----------|
| Calendar Years Prior to Test Year | | | | | | | | | | | | Test Year |
| 5th | | 4th | | 3rd | | 2nd | | 1st | | Year | | |
| Amount | Σ | Amount | Σ | Amount | Σ | Amount | Σ | Amount | Σ | Amount | Σ | |
| (b) | (c) | (d) | (e) | (f) | (g) | (h) | (i) | (j) | (k) | (l) | (m) | |

- Hours charged to expense:
- Power production expense
- Transmission expenses
- Distribution expenses
- Customer accounts expense
- Sales expenses
- Administrative and general expenses:
 - Administrative and general salaries
 - Office supplies and expense
 - Administrative expense transferred-cr.
 - Outside services employed
 - Property insurance
 - Injuries and damages

12 Months Ended

| Calendar Years Prior to Test Year | | | | | | | | | | Test Year | |
|-----------------------------------|----------|---------------|----------|---------------|----------|---------------|----------|---------------|----------|---------------|----------|
| 5th | | 4th | | 3rd | | 2nd | | 1st | | Year | |
| Amount (b) | % (c) | Amount (d) | % (e) | Amount (f) | % (g) | Amount (h) | % (i) | Amount (j) | % (k) | Amount (l) | % (m) |

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Item
(a)

7. Administrative and general expenses (continued):

- (g) Employee pensions and benefits
- (h) Franchise requirements
- (i) Regulatory commission expenses
- (j) Duplicate charges-cr.
- (k) Miscellaneous general expense
- (l) Rents
- (m) Maintenance of general plant

8. Total administrative and general expenses L7(a) through L.7(m)

9. Total overtime hours charged expense (L2 through L6 + L8)

10. Hour capitalized

11. Total overtime hours

12. Ratio of overtime hours charged expense to total overtime hours (L9 + L11)

Ratio of overtime hours
capitalized to total overtime hours (L10 ÷ L11)

NOTE: Show percent increase of each year over the prior year in Columns (c), (e), (g), (i), (k), and (m).